

# **COMPTON UNIFIED SCHOOL DISTRICT**

Audit Report

## **COLLECTIVE BARGAINING PROGRAM**

Chapter 961, Statutes of 1975,  
and Chapter 1213, Statutes of 1991

*July 1, 2000, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

March 2004



STEVE WESTLY  
California State Controller

March 17, 2004

Jesse L. Gonzales, Ph.D., Superintendent  
Compton Unified School District  
640 South Tamarind Avenue  
Compton, CA 90220

Dear Dr. Gonzales:

The State Controller's Office has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$194,269 for the mandated program. Our audit disclosed that \$155,009 is allowable and \$39,260 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The district was paid \$134,439. Allowable costs claimed in excess of the amount paid total \$20,570.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

VINCENT P. BROWN  
Chief Operating Officer

VPB:jj

cc: (See page 2)

cc: Teresa Santamaria

Associate Superintendent  
Business and Administrative Services  
Compton Unified School District

Darline P. Robles, Ph.D.

County Superintendent of Schools  
Los Angeles County Office of Education

John Conshafter, Compliance Manager  
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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was November 7, 2003.

The district claimed \$194,269 for the mandated program. The audit disclosed that \$155,009 is allowable and \$39,260 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The district was paid \$134,439. Allowable costs claimed in excess of the amount paid total \$20,570.

## Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining. On July 17, 1978, the Board of Control ruled that the Rodda Act imposed a reimbursable state mandate upon school districts reimbursable under *Government Code* Section 17561.

In 1991, the State enacted Chapter 1213, Statutes of 1991, which requires that school districts publicly disclose major provisions of collective bargaining efforts before the agreement becomes binding. On August 20, 1998, the Commission on State Mandates (formerly the Board of Control) ruled that this legislation also imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows:

- G1-Determining bargaining units and exclusive representative
- G2-Election of unit representative
- G3-Costs of negotiations
- G4-Impasse proceedings
- G5-Collective bargaining agreement disclosure
- G6-Contract administration
- G7-Unfair labor practice charges

*Parameters and Guidelines*, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2002.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Compton Unified School District claimed \$194,269 for costs of the legislatively mandated Collective Bargaining Program. The audit disclosed that \$155,009 is allowable and \$39,260 is unallowable.

For fiscal year (FY) 2000-01, the district was paid \$112,904 by the State. The audit disclosed that \$136,547 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$23,643, will be paid by the State based on available appropriations.

For FY 2001-02, the district was paid \$21,535 by the State. The audit

disclosed that \$18,462 is allowable. The amount paid in excess of allowable costs claimed, totaling \$3,073, should be returned to the State.

**Views of  
Responsible  
Official**

The SCO issued a draft audit report on January 30, 2004. Teresa Santamaria, Associate Superintendent, Business and Administrative Services, responded by the attached letter dated February 11, 2004, disagreeing with the audit results. The district's response is included in this final audit report. Ms. Santamaria stated that she disagreed with the finding, but will not contest it at this time.

**Restricted Use**

This report is solely for the information and use of the Compton Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2002

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Components G1 through G3:			
Salaries and benefits	\$ 37,705	\$ 4,450	\$ (33,255)
Materials and supplies	—	—	—
Contract services	90,465	90,465	—
Subtotals	128,170	94,915	(33,255)
Less adjusted base-year direct costs	—	—	—
Increased direct costs, Components G1 through G3	128,170	94,915	(33,255)
Components G4 through G7:			
Salaries and benefits	2,028	1,520	(508)
Materials and supplies	—	—	—
Contract services	39,683	39,683	—
Increased direct costs, Components G4 through G7	41,711	41,203	(508)
Total increased direct costs, Components G1 through G7	169,881	136,118	(33,763)
Indirect costs	2,853	429	(2,424)
Total costs	<u>\$ 172,734</u>	136,547	<u>\$ (36,187)</u>
Less amount paid by the State		(112,904)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,643</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Components G1 through G3:			
Salaries and benefits	\$ 14,197	\$ 12,351	\$ (1,846)
Materials and supplies	2,622	2,622	—
Contract services	—	—	—
Subtotals	16,819	14,973	(1,846)
Less adjusted base-year direct costs	—	—	—
Increased direct costs, Components G1 through G3	16,819	14,973	(1,846)
Components G4 through G7:			
Salaries and benefits	2,828	1,871	(957)
Materials and supplies	—	—	—
Contract services	—	—	—
Increased direct costs, Components G4 through G7	2,828	1,871	(957)
Total increased direct costs, Components G1 through G7	19,647	16,844	(2,803)
Indirect costs	1,888	1,618	(270)
Total costs	<u>\$ 21,535</u>	18,462	<u>\$ (3,073)</u>
Less amount paid by the State		(21,535)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,073)</u>	



**Schedule 1 (continued)**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments <sup>1</sup></u>
<b><u>Summary: July 1, 2000, through June 30, 2002</u></b>			
Components G1 through G3:			
Salaries and benefits	\$ 51,902	\$ 16,801	\$ (35,101)
Materials and supplies	2,622	2,622	—
Contract services	<u>90,465</u>	<u>90,465</u>	<u>—</u>
Subtotals	144,989	109,888	(35,101)
Less adjusted base-year direct costs	<u>—</u>	<u>—</u>	<u>—</u>
Increased direct costs, Components G1 through G3	<u>144,989</u>	<u>109,888</u>	<u>(35,101)</u>
Components G4 through G7:			
Salaries and benefits	4,856	3,391	(1,465)
Materials and supplies	—	—	—
Contract services	<u>39,683</u>	<u>39,683</u>	<u>—</u>
Increased direct costs, Components G4 through G7	<u>44,539</u>	<u>43,074</u>	<u>(1,465)</u>
Total increased direct costs, Components G1 through G7	189,528	152,962	(36,566)
Indirect costs	<u>4,741</u>	<u>2,047</u>	<u>(2,694)</u>
Total costs	<u>\$ 194,269</u>	155,009	<u>\$ (39,260)</u>
Less amount paid by the State		<u>(134,439)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 20,570</u>	

<sup>1</sup> See the Finding and Recommendation section.

# Finding and Recommendation

## **FINDING— Unallowable salaries, benefits, and related indirect costs**

The district claimed unallowable salary and benefit costs of \$36,566. The related indirect costs total \$2,694. Salary and benefits costs are unallowable for the following reasons:

### **Component G1—Determining Bargaining Units and Exclusive Representation**

- The district did not provide supporting documentation for \$211 (3.75 hours) claimed in FY 2000-01.

### **Component G2—Election of Unit Representation:**

- The district did not provide supporting documentation for \$49 (0.75 hours) claimed in FY 2000-01.

### **Component G3—Cost of Negotiation**

- The district did not provide supporting documentation for \$26,846 (327.5 hours) claimed in FY 2000-01 and \$432 (5.6 hours) claimed in FY 2001-02.
- The district claimed unsupported costs for six executives totaling \$720 (9.9 hours) in FY 2001-02. The costs claimed were for cabinet meetings that included updates on the district's negotiations. The district did not show that the six executives were involved in the negotiations.
- The district did not provide supporting documentation for \$6,149 claimed in FY 2000-01 and \$644 claimed in FY 2001-02 for substitute teachers.

### **Component G6—Contract Administration**

- The district did not provide supporting documentation for \$508 (9.75 hours) claimed in FY 2000-01 and \$346 (6.5 hours) claimed in FY 2001-02.
- The district claimed \$611 (8 hours) in FY 2001-02 that relates to FY 2002-03.

A summary of the unallowable costs and related indirect cost rate is as follows:

Elements/Components	Fiscal Year		Total
	2000-01	2001-02	
Salary and benefit costs:			
G1 through G3	\$ (33,255)	\$ (1,846)	\$ (35,101)
G4 through G7	<u>(508)</u>	<u>(957)</u>	<u>(1,465)</u>
Totals	<u>\$ (33,763)</u>	<u>\$ (2,803)</u>	<u>\$ (36,566)</u>
Indirect costs, G1 through G7	<u>\$ (2,424)</u>	<u>\$ (270)</u>	<u>\$ (2,694)</u>

*Parameters and Guidelines* requires the claimant to show the classification of the employees involved, amount of time spent, and their hourly rate. In addition, the guidelines require the claimant to show the cost of salaries and benefits for employer representatives participating in negotiations, the cost of substitute teachers for release time of exclusive bargaining unit representatives during negotiations, the job classifications of the bargaining unit representatives that required a substitute, and dates worked.

Further, *Parameters and Guidelines* states that contract interpretations at staff meetings and personal development and informational programs are not reimbursable.

*Parameters and Guidelines* also states that the claimant must support the level of costs claimed and that the claimant will only be reimbursed for the increased costs incurred.

### Recommendation

The district should develop and implement an adequate recording and reporting system to ensure that all claimed costs are eligible and properly supported.

**Attachment—  
District's Response to  
Draft Audit Report**

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COMPTON UNIFIED



SCHOOL DISTRICT

February 11, 2004

Jim L. Spano, Chief  
Compliance Audit Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

**RE: Response to Draft Audit Report (Collective Bargaining for FY 2000-2002)**

Dear Mr. Spano:


We have received the draft report of your audit on claims filed by the Compton Unified School District (District) relating to the mandate Collective Bargaining for the period of July 1, 2000 through June 30, 2002.

The district claimed \$194,269 for the mandate program. The audit disclosed that \$155,009 is allowable and \$39,260 is unallowable. The SCO stated in the report that the unallowable costs occurred primarily because the district claimed unsupported costs.

The district does not agree with the finding that the documentation in question was not supported, however, the district will not contest the audit finding identified in this audit report at this time.

We appreciate your giving us the opportunity to respond to this draft audit report.

Sincerely,

  
Teresa A. Santamaria, CPA  
Associate Superintendent  
Business and Administrative Services

c: Art Luna, SCO  
Sunny Okeke, SCO  
John Conshafter, MCS education services

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**